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November 2, 1987

P-491

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

As required by Chapter 1618, Statutes of 1984, as amended by Chapter 1068, Statutes of 1985, we have examined the Department of Social Services' (department) selection and administration of nonstate agencies that provide services for the prevention of child abuse and neglect. These chapters direct the department's Office of Child Abuse Prevention (OCAP) to contract with agencies to provide 11 pilot projects: 8 pilot projects to provide in-home therapeutic services to families with abused or neglected children and 3 pilot projects to improve the safety of young children who care for themselves during those hours when their parents are not at home. These chapters also require the OCAP to contract for an evaluation of these pilot projects.

Although the department's selection of the 11 agencies that operate the pilot projects and the consulting firm that evaluates the pilot projects is in compliance with state law, we identified several weaknesses in the department's administration of the pilot projects. However, these weaknesses did not significantly affect the operations of the pilot projects. We determined that the OCAP used a competitive process to contract with the agencies and the consulting firm, but the OCAP did not retain all the relevant documentation to fully support that it had complied with state contracting laws. Also, the OCAP failed to sign any of the grants for the pilot projects until after the starting date of the projects. In addition, the department did not promptly process 22 percent of the invoices submitted by the agencies that operate the projects and owes over \$3,000 in interest penalties for six late payments that it made to the agencies in fiscal year 1986-87. Finally, the consulting firm that was hired to review the pilot projects cannot evaluate their effectiveness because several problems hampered the pilot projects' delivery of services during the first year of operation.

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Background

Child abuse is generally defined as any act that endangers or impairs a child's physical or emotional health and development. Under this definition, child abuse includes physical neglect, emotional abuse, inadequate supervision, sexual abuse, and physical abuse, which includes corporal punishment. The department reported that California counties, in 1986, investigated more than 341,000 children who were reported as abused or neglected.

The OCAP is responsible for developing services to prevent child abuse and neglect. To fulfill this responsibility, the OCAP funds and monitors both pilot and demonstration projects for the prevention of child abuse.¹ The OCAP also provides technical assistance to communities that need help in dealing with problems involving child abuse and neglect. Additionally, the OCAP coordinates activities to prevent child abuse and neglect throughout the State.

Chapter 1618, Statutes of 1984, as amended by Chapter 1068, Statutes of 1985, added Sections 18964 through 18964.1 and Sections 18964.5 through 18964.7 of the Welfare and Institutions Code. Section 18964 of the code directs the OCAP to contract with agencies to operate eight pilot projects that would provide in-home services to families as an alternative to the removal of one or more children from the home. Section 18964.1 of the code directs the OCAP to contract with agencies to operate three pilot projects that would provide training and other techniques to families whose young children care for themselves during those hours when the parents are not at home. Finally, Section 18964.5 of the code directs the OCAP to contract for an evaluation of the pilot projects.

Chapter 1618, Statutes of 1984, appropriated \$4.5 million from the State's General Fund to the State Children's Trust Fund for the OCAP and the pilot projects. The department is to fund the pilot projects annually for a maximum of three years. Section 18964 of the Welfare

¹A pilot project receives its original funding from one source in anticipation that the pilot project's results will attract continued funding from other sources. A demonstration project attempts to develop a model that, if successful, can be replicated by other projects.

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and Institutions Code also established annual performance goals that the eight agencies providing in-home therapeutic services must meet to qualify for the renewal of their grants. Finally, for three years, the department is to fund the consulting firm that is engaged to evaluate the pilot projects.

Scope and Methodology

Section 18964.7 of the Welfare and Institutions Code requires the Office of the Auditor General to assess whether the OCAP used a competitive process to contract with the agencies and the consulting firm. In addition, we were required to evaluate the OCAP's development of methods to fund the pilot projects and OCAP's efforts to monitor the effectiveness of these methods. The code also requires the Office of the Auditor General to determine if funds are distributed promptly to the agencies.

To assess the OCAP's administration of the pilot projects, we examined the laws that specify the requirements for these pilot projects. Also, we reviewed the OCAP's selection of the 11 agencies that would operate the pilot projects and the OCAP's efforts to evaluate the effectiveness of the pilot projects. Further, to determine if the OCAP promptly distributed funds, we reviewed applicable laws and guidelines specifying the requirements for funding the agencies. We then compared the required deadlines to process the invoices submitted by the agencies with the actual time taken to process the invoices in fiscal year 1986-87. Finally, to determine how delays in payments affected the operation of the projects, we interviewed staff at the 11 agencies and the consulting firm.

The Selection and Administration of the 11 Agencies and the Consulting Firm

The State Administrative Manual (SAM) and the Welfare and Institutions Code, Sections 18964 et seq., required that the OCAP use a competitive process to select the agencies that would operate the pilot projects, and the SAM and these code sections also specify the procedures, criteria, and priorities for choosing the agencies. In addition, Section 1213 of the SAM states that all evaluation and scoring sheets used to select the agencies must be available for public inspection at the conclusion of the scoring process. Further, Section 1241.6 of the SAM requires that the work to be performed under a consulting services contract must not commence before the contract is approved by an

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authorized officer of the state agency that is contracting for the services. Moreover, no payment under a consulting services contract should be made until this approval is obtained. Finally, a provision in the grants for the pilot projects states that the grants are not effective until they are signed by the department.

In its administration of the projects, the department must also comply with statutory requirements for prompt payments to the agencies that operate the projects. Section 18964.5 of the Welfare and Institutions Code specifies that the agencies that operate the pilot projects should receive funds promptly. Also, Section 926.15 of the Government Code authorizes state agencies to establish in the terms of the contracts the dates on which payments are due. A provision in the grants for the pilot projects states that the process for payment of invoices will take approximately 45 days. According to the accounting administrator for the department, invoices should, therefore, be processed and submitted to the State Controller's Office for payment within 45 days after the department receives the claims. In addition, Section 926.15 of the Government Code requires state agencies to reimburse small businesses and nonprofit organizations within 30 days of the due date. If the state agency, without reasonable cause, fails to pay within the 30 days, the state agency must pay a penalty of .25 percent of the amount due, per day, from the 31st day after the required payment date.

In its selection of the 11 agencies and the consulting firm, the department meets state requirements. We determined that the OCAP used a competitive process to select the 11 agencies to operate the pilot projects. The OCAP also used the competitive process to select a private consulting firm to evaluate the operation and effectiveness of the 11 pilot projects. The OCAP followed several steps to guarantee competition in the selection of the agencies. First, the OCAP developed a request for proposals (RFP) that was compatible with the guidelines set forth in the SAM and responsive to the requirements of Chapter 1618, Statutes of 1984. Next, the OCAP compiled a mailing list of potential bidders and mailed the RFP to them. In addition, the OCAP advertised the RFP in the California State Contracts Register and evaluated all the proposals that it received against the criteria identified in the RFP. Finally, the OCAP selected the agencies based on the results of this evaluation.

Although we determined that the department selected the pilot projects in accordance with state law, we identified several weaknesses in the department's administration of these pilot projects. However, these weaknesses did not significantly affect the operations of the pilot

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projects. One of the weaknesses was that the OCAP did not retain copies of the scoring sheets for 56 of the 61 proposals that it evaluated during the competitive bidding process. The OCAP's evaluation committee used these scoring sheets to assess the agencies' proposals against the OCAP's requirements outlined in the request for proposals. According to the program manager for the OCAP, most of the scoring sheets were lost when the OCAP reorganized its office and relocated its employees. However, the OCAP did retain a summary sheet of the scores assigned to each proposal. The summary of scores shows that the OCAP awarded the grants to the agencies in accordance with the provisions of the request for proposals.

In addition, the OCAP failed to sign any of the grants for the pilot projects until after the starting date of the projects. The OCAP designated July 1, 1986, as the starting date for the first year of the pilot projects but signed all of the grants from three to nearly ten months after this date. Despite the delays, the agencies that operate the pilot projects and the consulting firm began work before the grants were signed. However, we found no evidence that the department paid the agencies before the department signed the grants. The program manager for the OCAP attributed part of the delay in the formal approval of the grants to the additional time required by the department to process the grants. In particular, he stated that the department had to ensure that the scope of services outlined in the grants was consistent for all projects. He further stated that the formal approval of grants for several agencies was also delayed because these agencies had difficulties obtaining agreements for client referrals from county welfare departments to the agencies.

Further, we calculated the time that it takes to process invoices at both the department and the State Controller's Office and found that the department did not process within the required period 18 (22 percent) of 81 invoices submitted by the agencies in fiscal year 1986-87. Furthermore, for three agencies, the department submitted for payment to the State Controller's Office 8 of the 18 invoices from 31 to 102 days after the payment deadline. Two of the three agencies that submitted 6 of these invoices are nonprofit organizations and, therefore, are eligible to receive late payment penalties, which total over \$3,000. The department's accounting administrator explained that, in May 1987, the department implemented a system for tracking invoices to ensure that all invoices were paid within the time required by Section 926.15 of the Government Code. However, until May 1987, the department did not have a formal system for monitoring the processing of claims. The accounting administrator also stated that the staff

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position responsible for processing invoices was vacant for part of this period. All 18 of the claims that were paid late were within the period when the department did not have the monitoring system.

The Effectiveness of the Pilot Projects

Section 18964 of the Welfare and Institutions Code requires that each pilot project specializing in in-home therapy demonstrate a success rate of 75 percent in the first year in preventing out-of-home placement of abused or neglected children. The code also requires that the success of the therapy be evaluated six months after the agencies complete the treatment. In addition, Section 18964.1 of the code requires that the other three projects, which serve children who care for themselves while the parents are not at home, improve the safety and security of the children. To accomplish this objective, the code specifies that the projects should provide training to the families. Finally, Section 18964.6 of the Welfare and Institutions Code requires that the OCAP develop performance standards to measure the effectiveness of the pilot projects.

As of June 30, 1987, the pilot projects had been in operation for the length of one year of the three-year program. The OCAP developed standards for monitoring the pilot projects and included these standards in its grants. In addition, the data collected by the consulting firm indicate that the eight pilot projects that provide in-home therapeutic services accepted 105 clients in the first year. However, as of June 30, 1987, only 6 of these clients had completed the treatment and follow-up phases of the intensive therapy program. According to the project administrators for the eight agencies that provide the in-home therapeutic services, several problems hampered their agencies' efforts to deliver services in the first year of operation. Six of the eight project administrators stated that their agencies had difficulties recruiting the staff required for the pilot projects. In addition, project administrators for five of the eight agencies stated that delays in the approval of the grants prevented the agencies from serving more clients. Two of these five project administrators stated that their agencies accepted clients only after the department approved their grants.

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Because only a few clients completed the in-home therapy program offered by eight of the pilot projects in fiscal year 1986-87, the consulting firm cannot fully evaluate the effectiveness of these projects. In addition, the consulting firm cannot evaluate the success of the other three pilot projects that provide training to families with children who care for themselves. The project manager for the consulting firm stated that several problems affected the three agencies' delivery of services in the first year of operation. He identified these problems as staff shortages, difficulties with a subcontractor, and difficulties in obtaining permission to make presentations in local schools.

Although the consulting firm cannot report on the success of the pilot projects, the project manager of the firm stated that the firm's annual report to the OCAP will summarize the first year's activities. This summary will include a description of the problems that hampered the start of the pilot projects. In addition, the consulting firm will report problems that may hamper the effectiveness of the projects in the second and third years. Finally, this report will include background information on the clients served and will identify the sources of the client referrals and the cost of the program. The consulting firm is scheduled to present its annual report to the OCAP by October 31, 1987. According to the chief of the department's Family and Children's Services Branch, the department intends to modify the consulting firm's grant to extend the due date for the evaluation of the projects.

Conclusion

Although the Department of Social Services' selection of the 11 agencies that operate the pilot projects for the prevention of child abuse and the consulting firm that evaluates the pilot projects is in compliance with state law, we identified several weaknesses in the department's administration of the pilot projects. However, these weaknesses did not significantly affect the operations of the pilot projects. We determined that the Office of Child Abuse Prevention used a competitive process to contract with the agencies and the consulting firm, but the OCAP did not retain all the relevant documentation to fully support that it had complied with state contracting laws. Also, the OCAP failed to sign any of the grants for the pilot projects until after the starting date of the projects. In addition, the department did not promptly process 22 percent of the invoices submitted by the agencies that operate the projects and owes over \$3,000 in interest penalties for six late payments that it made to the agencies in fiscal

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year 1986-87. Finally, the consulting firm that was hired to review the pilot projects cannot evaluate their effectiveness because several problems hampered the pilot projects' delivery of services during the first year of operation.

Recommendations

To improve the Department of Social Services' administration of pilot projects for the prevention of child abuse, the department should retain all the relevant supporting documentation that it acquires during its selection of contractors. Also, the department should sign grants for pilot projects by the starting date of the grant period and process all invoices from small businesses or nonprofit organizations within the time specified by the Government Code to avoid penalties for late payments.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



for THOMAS W. HAYES
Auditor General

Attachment

Department of Social Services' response to this report

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



October 27, 1987

- Thomas W. Hayes, Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

OFFICE OF THE AUDITOR GENERAL'S (AGO) REPORT ENTITLED "A REVIEW OF THE STATE'S PILOT PROJECTS FOR CHILD ABUSE PREVENTION (P-491)"

Mr. Clifford Allenby, Secretary, Health and Welfare Agency, has asked me to review and comment on the above draft audit report. My Department's comments on your recommendations are as follows:

AGO Recommendation

"To improve the Department of Social Services' administration of pilot projects for the prevention of child abuse, we recommend that the department take the following actions:

- Retain all the relevant supporting documentation that it acquires during its selection of contractors and sign grants for pilot projects by the starting date of the grant period; and
- Process all invoices from small businesses or nonprofit organizations within the time specified by the Government Code to avoid penalties for late payments."

State Department of Social Services' (SDSS) Response

The SDSS concurs with the above recommendation and recommended actions to improve the administration of pilot projects for the prevention of child abuse. The loss of supportive documentation was inadvertent. Additionally, the Department has made, and will continue to make, every effort to sign grants for pilot projects by the starting date of the grant period.

In order to ensure that all payments are made timely and accurately, in the period January through June of 1987, the SDSS designed and implemented an invoice tracking system. The SDSS also completed a workload analysis which demonstrated that additional staff positions were necessary to meet the required payment timelines established by the Government Code. Additional positions were requested via a Budget Change Proposal for State Fiscal Year (SFY) 1987/88. Approval was received for the following positions: two, effective July 1, 1987; one, effective January 1, 1988; and one, effective June 1, 1988. The positions effective July 1, 1987 have been filled and the SDSS is making progress in meeting its payment deadlines.

If you have any questions regarding our comments, please contact me at (916) 445-2077, or have your staff contact Mr. Loren D. Suter, Deputy Director, Adult and Family Services Division, at (916) 445-6410.

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda S. McMahon".

LINDA S. McMAHON
Director